



**MCI Communications
Corporation**

1801 Pennsylvania Ave., NW
Washington, DC 20006
202 887 2601

Donald Evans
Director
Regulatory Affairs

DOCKET FILE COPY ORIGINAL

ORIGINAL

January 3, 1994

RECEIVED

JAN 3 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

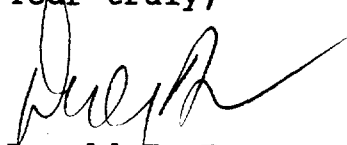
Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: RM-8388

Dear Mr. Caton:

Enclosed for filing are the original and eleven copies of
MCI's Reply Comments in the above captioned proceedings.
Please affix a proper notation to mark as received for
filing.

Yours truly,



Donald F. Evans

No. of Copies rec'd
List ABCDE

0211

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20054**

RECEIVED

JAN 3 1994

In the Matter of)
)
Inquiry into Policies and Programs)
to Assure Universal Telephone Service)
in a Competitive Market Environment)

RM-8388

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

REPLY COMMENTS

MCI Telecommunications Corporation ("MCI") hereby submits its reply to comments filed in response to the Petition for a Notice of Inquiry filed by MFS Communications Company, Inc. ("MFS") to determine future policies concerning the availability of universal telephone service in a competitive local exchange environment.

In MCI's comments, MCI agreed that a notice of inquiry is needed to explore future universal service obligations, and supported the topics that MFS suggested should be examined: (1) the definition of universal service; (2) who should receive universal service support; (3) total universal service long run incremental costs; (4) who should administer the program; and (5) how the subsidy should be raised. MCI argued that sweeping changes in the industry, including "information-age" services and the promise of competition in the local exchange arena, compel a broad review of universal service issues.

The various positions revealed in the comments demonstrate why it is important to begin this process with an NOI instead of moving directly to an

Notice of Proposed Rulemaking, as suggested by AT&T and others.^{1/} While there is a degree of consensus on some of the principles that would guide the resolution of a universal service proceeding, there are strongly opposing views on which direction to take. For example, commenters generally support the need for a broad proceeding to evaluate universal service issues in addition to the on-going proceeding that is examining the Universal Service Fund, or as an expansion of that proceeding.^{2/} Most commenters also agree that, at minimum, universal service should include access to one party, voice grade, touch tone telephone service. Agreement also exists on issues that must be examined, e.g., the costs of a new universal service approach and careful targeting of benefits.

However, there is disagreement over most other issues, especially as to specific details about how a new universal service plan would operate. For example, commenters disagree about how universal support should be managed. Not only is there a dispute about who should administer the program^{3/}, there is disagreement over whether benefits should go to

^{1/} AT&T Comments at 2; SWB Comments at 4-5.

^{2/} Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, FCC 93-549, released December 23, 1993.

^{3/} SWB Comments at 10-11 (NECA or some other third party); AT&T Comments at 3 (the Commission or some other third party); GCI Comments at 3 (a third party other than NECA).

individuals or to companies (or some benefits to each).⁴ Most importantly, there is a dispute over what kinds of costs should be considered in evaluating current universal service subsidies.⁵ An NOI would allow the Commission to collect essential data on the costs associated with the provision of universal service. The Commission should gain a better understanding of the total industry costs for universal service before proposing a revised set of universal service support rules, and making a determination about whether those proposed rules require Joint Board action.

Unfortunately, a large portion of the comments, rather than offer insight into universal service issues, amount to an attempt by the local exchange carriers (LECs) to convince the Commission to assign a priority to issues the LECs consider more significant than universal service, particularly Part 69 access charge reform and the LEC price cap performance review.⁶ Rather than credit MFS for taking the initiative to request a proceeding specifically intended to reshape universal service subsidies in a competitively neutral way, the LECs opportunistically argue about how the Commission should organize

⁴ BellSouth Comments at 5 (may need to provide support to carriers); GCI Comments at 2-3, AT&T Comments at 3 (support should go directly to the end user).

⁵ Compare MFS Petition at 12-16 with Bell Atlantic Comments at 3-8 (arguing that the cost of spare capacity held for future use or for redundancy, and the indirect cost of providing a ubiquitous network, are relevant costs of the LECs' universal service obligations). Ameritech Comments at 3-4.

⁶ See, e.g., BellSouth Comments at 1-2; US West Comments at 1-3; SWB Comments at 1-3.

its workload to the LECs' best advantage. For LECs, the pricing flexibility they have sought through access charge and price cap reform is clearly at the top of their agenda, not universal service. MCI believes that the Commission should reverse these priorities when shaping its own agenda for 1994.

Several commenters also addressed how this new proceeding would relate to the on-going Joint Board proceeding that is examining the existing Universal Service Fund.²¹ MCI believes that the existing USF proceeding can be resolved on a separate track from the broader universal service proceeding advocated by MFS. The issues to be addressed in the ongoing Joint Board proceeding on the USF should be resolved as quickly as possible, to prevent continued, uncontrolled growth in the USF revenue requirement. The issues raised by MFS, however, are more complex substantively and procedurally. Although it is possible that the Commission could ultimately act to change the nature and purpose of the USF as a result of the broader proceeding, those decisions are likely to be several years in the making. In the interim, the Commission and the Joint Board should not postpone an examination of the USF.

²¹ See NECA Comments at 1, 4; Staurulakis Comments at 1-3.

CONCLUSION

For the reasons stated above, MCI requests that the Commission initiate a Notice of Inquiry to investigate the future direction of public policy as it relates to universal telephone service.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

A handwritten signature in black ink, appearing to read "D. Evans", with a long, sweeping horizontal line extending to the right.

Donald F. Evans
Director
Federal Regulatory Affairs
1801 Pennsylvania Ave. NW
Washington, D.C. 20006
(202) 887-2601

Dated: January 3, 1994

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on January 3, 1994.

A handwritten signature in black ink, appearing to read 'Donald F. Evans', written over a horizontal line.

Donald F. Evans
Director, Federal Regulatory Affairs
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(512) 495-6723

CERTIFICATE OF SERVICE

I, Susan Travis, do hereby certify that copies of the foregoing MCI's Reply Comments were sent via first class mail, postage paid, to the following on this 3rd day of January 1994:

Kathleen Levitz**
Chief, Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, DC 20554

MFS Communications Co.
Swidler & Berlin
Andrew D. Lipman
3000 K Street, N.W.
Washington, DC 20007

Gregory J. Vogt**
Chief, Tariff Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

International Transcription Service**
Federal Communications Commission
Room 246
1919 M Street, N.W.
Washington, DC 20554

Policy and Program Planning Division**
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, DC 20554

Hand Delivered**


Susan Travis